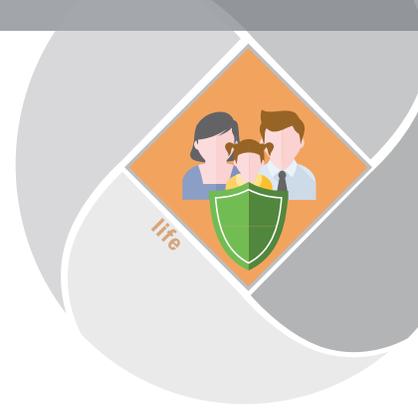


LIFE 101

Indexed Universal Life Insurance



Upside potential, downside protection

Indexed universal life (IUL) products came on the scene in 1997 and have rocketed in popularity in recent years. IULs may appear to have a lot of moving parts, which can be intimidating to some, but keep in mind that they share the same basic qualities of other UL products—they are permanent life insurance products designed with the potential for non-guaranteed, tax-advantaged cash value build-up based on the insurance company's general account investment results.

How does an IUL work?

The way the policy's interest is credited is where it differs from other ULs. IULs are tied to an external index, typically the S&P 500. The interest credited to the policy will be based on the performance of that index, subject to a cap, a floor, and a participation rate.

For example, if an IUL has a 10% growth cap and the S&P 500 grows by 15% and it participates in the index 100%, 10% will be credited to the policy's cash value. If the S&P 500 goes down—5% for the year and the policy has a 0% floor, 0% will be credited to the policy's cash value.

As you can see from that example, IULs can have both upside potential and downside protection. The upside potential is the opportunity for better performance than on a current assumption UL or guaranteed UL but with downside protection in a down market due to the built-in floor. It's important to note that, even with a floor, a policy still has charges deducted in down years so there is still downside in the policy because nothing is being credited to the policy by the company and charges are still coming out of the policy.

There are different IULs designed to meet different goals. Some are focused on being a no-lapse guarantee substitute by offering lifetime guaranteed death benefits with some cash value growth. Others are focused on cash value growth for retirement income generation. And some are focused on minimal premium requirements with some cash value growth for future flexibility.

Contact your Tellus Account Manager to learn more!



Who is an IUL for?

Indexed UL products are well-suited for those wanting:

- Permanent death benefit protection
- Opportunity to grow cash values in greater potential than current assumption ULs or GULs
- To lessen the policy's exposure to risk in a down market compared to variable UL

Cap: The current maximum index interest that will be credited to the policy.

Floor: The minimum guaranteed index interest that will be credited to the policy.

Participation rate: The percentage of index change that is used to calculate the index credit.



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